

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 DOEE-00 /130 W
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 8230
AMCONSUL CALGARY POUCH

C O N F I D E N T I A L OTTAWA 03778

PASS DOE/IA FOR ALBERT

E.O. 11652: GDS
TAGS: ENRG, ETRD, CA
SUBJECT: CANADIAN NATURAL GAS PRICE

1. DOMESTIC PRICE: FEDERAL GOVERNMENT AND ALBERTA ARE APPROACHING FINAL AGREEMENT. PRICE WILL BE INCREASED BY AMOUNT EQUIVALENT TO 85 PERCENT OF BTU VALUE OF ONE-DOLLAR CRUDE OIL PRICE INCREASE APPROVED LAST MONTH. SENIOR OFFICIALS AT NATIONAL ENERGY BOARD (NEB) AND DEPT OF ENERGY, MINES AND RESOURCES (EMR) ARE FIDGETTING ABOUT ALBERTA CABINET DELAY OF FINAL APPROVAL. GOA WILL NOT PASS ON MATTER UNTIL REGULARLY SCHEDULED WEEKLY CABINET MEETING, TUESDAY, AUGUST 1. THERE IS SOME CONCERN IN OTTAWA ABOUT POSSIBLE LEGAL PROBLEMS WHICH MIGHT DEVELOP WHEN PRESENT FEDERAL/PROVINCIAL PRICING AGREEMENT EXPIRES ON MIDNIGHT JULY 31 WITHOUT FORMALLY APPROVED NEW AGREEMENT. THIS IS NOT APT TO BE SERIOUS PROBLEM, HOWEVER. CONGEN CALGARY REPORTS THAT ALBERTA CABINET REVIEW WILL BE PRO FORMA EXERCISE. AUTHORITATIVE GOA SOURCES SAY AGREEMENT WILL BE APPROVED AUGUST 1. LESS THAN 24-HOUR TIME LAPSE BETWEEN OLD AND NEW AGREEMENT, THEREFORE, WILL
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BE, IF AT ALL, MINOR PROBLEM.

2. COMMENT: DELAY OF FINAL RATIFICATION BY GOA IS PROBABLY INTENTIONAL AND REFLECTS CONTINUING POWER STRUGGLE WITH OTTAWA OVER ENERGY POLICY. THIS CLIFF HANGER IS A NOT-TOO-SUBTLE DEMONSTRATION BY ALBERTA OF ITS ULTIMATE VETO POWER ON OIL AND GAS PRICE QUESTIONS.

3. EXPORT PRICE: NEB AND EMR SOURCES HAVE DENIED GLOBE AND MAIL STORY LAST WEEK (JULY 20) REPORTING THAT NEB HAS DECIDED NOT TO CHANGE NATURAL GAS EXPORT PRICE. SOURCES CAREFULLY POINTED OUT: (1) NEB DOES NOT DECIDE PRICE; IT RECOMMENDS PRICE TO CABINET WHICH MUST MAKE FINAL DECISION. (2) BOARD WILL NOT COMPLETE ITS ANNUAL GAS PRICE REVIEW UNTIL LATE AUGUST OR EARLY SEPTEMBER AND EXPORT PRICE RECOMMENDATION WILL NOT BE MADE UNTIL THEN. OFFICIAL SOURCES WOULD NOT COMMENT REGARDING BOARD'S LIKELY RECOMMENDATION ON EXPORT PRICE. SOURCES IN TRANS-CANADA PIPELINES TELL CONGEN CALGARY, HOWEVER, BOARD HAS DECIDED TO LEAVE EXPORT PRICE AT PRESENT LEVEL. CONGEN ALSO REPORTS THIS IS GOA UNDERSTANDING. ENDERS

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